

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 SSO-00 INRE-00
CIAE-00 INR-07 NSAE-00 L-03 /035 W
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FM AMEMBASSY WARSAW
TO SECSTATE WASHDC IMMEDIATE 1454
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PASS EXIM FOR ALBRIGHT IMMEDIATE

E O 11652: NA
TAGS: EFIN BEXP PL
SUBJ: GENERAL ELECTRIC SALE OF EQUIPMENT FOR
KATOWICE STEEL MILL

REF: SMITH/ALBRIGHT TELCON OF 11/7/77

1. SUMMARY: WE ARE OPTIMISTIC THAT GENERAL ELECTRIC
REPRESENTATIVES WILL BE ABLE TO OBTAIN THIS WEEK A

LETTER OF INTENT FOR THE SALE OF APPROXIMATELY 11.6
MILLION DOLLARS WORTH OF POWER-DRIVE EQUIPMENT FOR A HOT-
STRIP ROLLING MILL AT HUTA KATOWICE. THE LETTER
OF INTENT WILL, HOWEVER BE CONTINGENT ON PROVISION
OF COMPETITIVE FINANCING. GE REPRESENTATIVES HAVE
TOLD US THAT THEIR TECHNOLOGICAL ADVANTAGE HAS OFFSET
A JAPANESE OFFER OF ABOUT \$10 MILLION FOR THE PROJECT,
BUT THAT POLISH NEGOTIATORS ARE STILL INSISTING THAT
FINANCING FOR THE GENERAL ELECTRIC OFFER BE COMPETI-
TIVE WITH THAT AVAILABLE FROM THE JAPANESE, WHO ARE
REPORTEDLY OFFERING 7-1/2 PERCENT, WITH TWO YEARS
GRACE AND 8 YEARS REPAYMENT. END SUMMARY.
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2. GUY LOSCOT, MANAGER OF GENERAL ELECTRIC'S
EASTERN EUROPEAN DIVISION, HAS BEEN IN FREQUENT CONTACT WITH
THE EMBASSY OVER THE LAST MONTH CONCERNING
HIS EFFORTS TO LAND THE SALE OF AUTOMATED
POWER-DRIVING EQUIPMENT FOR THE HOT-STRIP ROLLING
MILL AT HUTA KATOWICE. EMBASSY OFFICIALS HAVE

TAKEN SEVERAL STEPS IN SUPPORT OF G.E.
ON NOVEMBER 3, THE AMBASSADOR CALLED THE NEGOTIATIONS
DIRECTLY TO THE ATTENTION OF VICE MINISTER OF FOREIGN
TRADE RYSZARD STRZELECKI, WHO IS RESPONSIBLE FOR OVER-
SEEING HIGH-TECHNOLOGY CONTRACTS AND WHO MET
WITH LOSCOT LATER THAT DAY. THE DCM HAS PRE-
VIOUSLY MENTIONED THE PENDING CONTRACT TO MINISTER
OF FOREIGN TRADE JERZY OLSZEWSKI. GE REPRESENTATIVES
HAVE TOLD US THAT THESE EXPRESSIONS OF EMBASSY INTEREST HAVE
ASSISTED THEM CONSIDERABLY AND THAT THEY ARE NEAR CONCLUSION
OF A LETTER OF INTENT WITH THE POLISH FOREIGN TRADE
ORGANIZATION, METRONEX.

3. LOSCOT HAS TOLD US THAT GE HAS COME DOWN
TO A ROCK-BOTTOM PRICE OF APPROXIMATELY 11.6 MILLION
DOLLARS. HE SAID THAT GE'S SUPERIOR TECHNOLOGY HAS
ALLOWED IT TO OFFSET THE LOWER JAPANESE OFFER WHICH,
ACCORDING TO METRONEX, IS ABOUT 1.5 MILLION DOLLARS
BELOW THAT OF GE. LOSCOT HAS EMPHASIZED TO US, HOWEVER,
THAT METRONEX INSISTS THAT ANY LETTER OF INTENT BE
MADE CONTINGENT ON OBTAINING FINANCING ON
TERMS "NO WORSE THAN THOSE OFFERED BY THE FOREIGN COMPE-

TITION." LOSCOT HAS ASKED US THAT HE EXPECTS SOME
STATEMENT ALONG THESE LINES TO BE INCLUDED IN THE

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LETTER OF INTENT AND THAT THE LUWT HURDLE FOR GAIN-
ING THE CONTRACT WILL, THEREFORE, COME IN
NEGOTIATIONS BETWEEN BANK HANDLOWY AND EXIM
BANK ON THE FINANCING OF THE PROJECT.

4. COMMENT: WE HAVE GIVEN LOSCOT A COPY OF THE OCTOBER 13,
1977, EXIM PRESS RELEASE WHICH LISTS THE BANK'S NEW, LOWER INTEREST
RATES. THESE LOWER RATES AND PRESIDENT MOORE'S STATEMENT
ACKNOWLEDGING THE POSSIBLE NEED TO REDUCE THESE RATES FURTHER TO
MEET SPECIFIC COMPETITIVE SITUATIONS WILL BE HELPFUL IN
THE CONCLUSION OF THIS CONTRACT. EVEN THE NEW RATES,
HOWEVER, SEEM TO BE CONSIDERABLY HIGHER (8-1/4 PERCENT VERSUS
7-1/2 PERCENT FOR A LOAN OF 10
YEARS) THAN THOSE REPORTEDLY OFFERED BY THE JAPANESE.
IF THE RATES QUOTED FOR THE JAPANESE ARE ACCURATE,
EXIM MAY WELL HAVE TO ADJUST ITS SCHEDULED RATE
DOWNWARD IF GE IS NOT TO LOSE THE CONTRACT. LOSCOT
HAS TOLD US THAT HE IS TRYING TO INSERT IN THE
LETTER OF INTENT A SPECIFIC COMMITMENT
FOR BANK HANDLOWY TO SUPPLY EXIM WITH PROOF OF
THE CREDIT TERMS OFFERED BY THE JAPANESE. HE HAS TOLD
US, HOWEVER, THAT THE POLES ARE BALKING AT SUCH LANGU-

AGE. METRONEX OFFICIALS ARGUE THAT IT IS UP TO BANK HANDLOWY TO DETERMINE WHETHER OR TO WHAT EXTENT IT WOULD SUPPLY SUCH INFORMATION.

5. GE NEGOTIATORS MUST STILL CONCLUDE DETAILS CONCERN-
ING THE METHOD OF PAYMENT (CIF OR FOB) AND PENAL-
TY CLAUSES BEFORE FINALIZING THE LETTER OF INTENT.
THEY MAY WELL HAVE DIRECT DISCUSSIONS WITH BANK HANDLOWY,
AND THE EMBASSY HAS OFFERED TO PARTICIPATE IN ANY SUCH MEETING.

6. WE WILL ADVISE EXIM OF FURTHER INFORMATION ON THE GE
CONTRACT, AND WE UNDERSTAND THAT GE REPRESENTATIVES IN WASHINGTON
WILL BE IN TOUCH WITH EXIM IN THE NEAR FUTURE. THEY WILL BE
SEEKING A DIRECT CREDIT RATHER THAN A PRELIMINARY COMMITMENT.
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DAVIES

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, STEEL, ELECTRIC EQUIPMENT
Control Number: n/a
Copy: SINGLE
Sent Date: 08-Nov-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770412-0517
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Handling Restrictions: n/a
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Litigation History:
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